

CHARLOTTE COMMUNITY HEALTH CLINIC, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2014

THE POPE CPA FIRM, PA
Certified Public Accountants
Charlotte, North Carolina

CHARLOTTE COMMUNITY HEALTH CLINIC, INC.

Charlotte, North Carolina

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THE POPE CPA FIRM, PA
Certified Public Accountants
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Independent Auditors' Report

The Board of Directors of
Charlotte Community Health Clinic, Inc.

We have audited the accompanying statements of Charlotte Community Health Clinic, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Charlotte Community Health Clinic, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The Pope CPA Firm, PA

Charlotte, North Carolina
May 26, 2015

CHARLOTTE COMMUNITY HEALTH CLINIC, INC.

Statement of Financial Position
December 31, 2014

Current Assets:	
Cash	\$ 851,309
Unconditional promises to give (Note 4)	519,310
Prepaid expenses	3,534
Grants receivable	<u>30,366</u>
Total current assets	<u>1,404,519</u>
Fixed Assets:	
Furniture, equipment and leasehold improvements (net of accumulated depreciation of \$ 87,990)	<u>132,313</u>
Total Assets	\$ <u>1,536,832</u>
Current Liabilities:	
Accounts payable	\$ <u>571,428</u>
Net Assets:	
Unrestricted	372,094
Temporarily restricted (Note 7)	<u>593,310</u>
Total Net Assets	<u>965,404</u>
Total Liabilities and Net Assets	\$ <u>1,536,832</u>

The accompanying notes to financial statements are an integral part
of these financial statements.

CHARLOTTE COMMUNITY HEALTH CLINIC, INC.

Statement of Activities
For the Year Ended December 31, 2014

UNRESTRICTED NET ASSETS	
Support	
Grants	\$ 219,039
Contributions	2,093,284
Patient fees	97,704
Miscellaneous	3,468
Net assets released from donors restrictions (Note 7)	<u>737,014</u>
Total Support	<u>3,150,509</u>
Expenses	
Program services	2,956,924
General and administrative	233,711
Fundraising	139,651
Loss on disposal of fixed assets (Note 10)	<u>57,643</u>
Total Expenses	<u>3,387,929</u>
Decrease in unrestricted net assets	(<u>237,420</u>)
TEMPORARILY RESTRICTED NET ASSETS	
Grants	221,575
Government contract	520,919
United Way Services	217,694
Net assets released from donor restrictions (Note 7)	(<u>737,014</u>)
Increase in Temporarily Restricted Net Assets	<u>223,174</u>
TOTAL DECREASE IN NET ASSETS	(14,246)
NET ASSETS, beginning of year	<u>979,650</u>
NET ASSETS, end of year	\$ <u>965,404</u>

The accompanying notes to financial statements are an integral part
of these financial statements.

CHARLOTTE COMMUNITY HEALTH CLINIC, INC.

Statement of Cash Flows
For the Year Ended December 31, 2014

Cash Flows from Operating Activities:	
Decrease in net assets	\$ (14,246)
Adjustments to reconcile change in net assets to net cash provided:	
Amortization and depreciation	31,391
Increase in receivables	(124,858)
Increase in prepaid expenses	(101)
Increase in accounts payable	99,073
Decrease in grants payable	(10,570)
Loss on disposal of fixed assets (Note 10)	57,642
Donated fixed assets	<u>(29,813)</u>
Net cash provided by operating activities	8,518
Cash used for	
Furniture, equipment and leasehold improvements	<u>63,762</u>
Net decrease in cash	(55,244)
Cash at beginning of year	<u>906,553</u>
Cash at end of year	\$ <u>851,309</u>

The accompanying notes to financial statements are an integral part
of these financial statements.

CHARLOTTE COMMUNITY HEALTH CLINIC, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2014

	Program <u>Services</u>	General and <u>Administrative</u>	Fund- <u>raising</u>	Total <u>Expenses</u>
Contributed services	\$ 263,188	\$ -	\$ -	\$ 263,188
Compensation	1,326,825	106,558	86,229	1,519,611
Lab work	420,269	-	-	420,269
Contractual services	64,279	6,260	30,000	100,539
Diagnostic services	555,153	-	-	555,153
Drugs	15,333	-	-	15,333
Janitorial	3,727	115	-	3,843
Waste disposal	470	-	-	470
Technical services	7,294	-	-	7,294
Postage	2,230	743	500	3,473
Professional fees	-	32,300	-	32,300
Staff development	4,222	11,394	-	15,616
Medical supplies	17,745	-	-	17,745
Other expense	-	6,432	54	6,486
Printing/reproduction	-	5,411	6,382	11,793
Rent-building	208,907	8,104	-	217,011
Organizational	-	143	15,619	15,763
Volunteer development	5,491	-	-	5,491
Linen service	6,528	-	-	6,528
Insurance	-	13,817	-	13,817
Dues, fees, licenses	915	2,060	-	2,975
Repairs/maintenance	3,559	341	-	3,900
Office supplies	-	13,854	537	14,391
Security	946	5	-	951
Cell phones	2,280	2,673	60	5,013
Utilities	6,875	213	-	7,087
Education	504	-	-	504
Moving and storage	1,197	10,405	-	11,602
Patient assistance	20,749	-	-	20,749
Loss on disposal of fixed assets	<u>1,202</u>	<u>56,441</u>	<u>-</u>	<u>57,643</u>
Total expenses before depreciation	2,939,888	277,269	139,381	3,356,538
Amortization and depreciation	<u>18,238</u>	<u>12,883</u>	<u>270</u>	<u>31,391</u>
Total expenses	\$ <u>2,958,126</u>	\$ <u>290,152</u>	\$ <u>139,651</u>	\$ <u>3,387,929</u>

The accompanying notes to financial statements are an integral part of these financial statements.

CHARLOTTE COMMUNITY HEALTH CLINIC , INC.

Notes to Financial Statements
December 31, 2014

Note 1 - Nature of Organization

Charlotte Community Health Clinic, Inc. was formed on June 27, 2001 under the laws of the State of North Carolina as a non-profit, non-stock corporation. Its mission is to provide healthcare services including primary, acute episodic and chronic disease care services to low-income uninsured adult and children residents of the Mecklenburg County area. The Clinic is located in Charlotte, North Carolina.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The Clinic's policy is to prepare its financial statements on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Income Taxes

Charlotte Community Health Clinic, Inc. is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, Charlotte Community Health Clinic, Inc. has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for 2014.

Income Taxes - continued

The Clinic recognizes the financial statement effects from a tax position only if it is more likely than not that the position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Clinic and various positions related to the potential sources of unrelated business taxable income. The assessment of the technical merits of a tax position is a matter of judgment. The Clinic believes that all its tax positions are more likely than not to be sustained upon examination.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2012, 2013, and 2014 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Clinic considers all highly-liquid investments available for current use, with an initial maturity of three months or less, to be cash equivalents.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Clinic that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Functional Allocation of Expenses

The costs of providing the medical program, fund raising and administration have been summarized on a functional basis in the statement of activities. Expenses that can be identified with the respective category are charged directly to the category. Expenses which apply to more than one functional category have been allocated based on estimates made by management.

Contributed Services

Contributed services are reported as contributions when they would typically need to be purchased by the Clinic if they had not been provided by contributions and if they require specialized skills and are provided by individuals with those skills.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Equipment and furniture

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Purchased property and equipment is stated at cost at date of acquisition. Expenditures that extend the life of the asset are capitalized while those relating to general repairs and maintenance are expensed. All property and equipment are depreciated using the straight-line method. Depreciation expense for the year ended December 31, 2014 was \$31,391.

Note 3 - Contributed Services

During the year ended December 31, 2014, the value of contributed services meeting the requirements for recognition in the financial statements as contributions and as expense was as follows:

Professional services	\$	263,188
Diagnostic services		555,153
Lab tests		420,269
Legal fees		<u>17,500</u>
	\$	<u>1,256,110</u>

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Clinic, but these services do not meet the criteria for recognition as contributed services. Management estimates the fair value of these services to be approximately \$ 92,499 for the year ended December 31, 2014.

Note 4 - Unconditional Promises to Give

Unconditional promises to give consists of the following grants restricted by payment terms until 2015:

United Way Services-community care fund	\$ 108,851
Mecklenburg County	260,460
Duke Endowment	<u>150,000</u>
	\$ <u>519,311</u>

Note 5 - Service Agreements

Novant Health Presbyterian Medical Center Service Agreement

Novant Health Presbyterian Medical Center signed an agreement dated January 22, 2004 promising to pay certain salaries for the Clinic staff and furnish the space from which the Clinic operates and furnish diagnostic services. The agreement was extended through January 2011 in an amendment letter dated September 28, 2007 and has been renewed on an annual basis as allowed for in the agreement until a new agreement was reached on March 15, 2011. The initial term of the new agreement is for three years after which the agreement may be automatically renewed annually unless terminated by Novant Health Presbyterian Medical Center or the Clinic after a ninety day notice period. The following expenses were paid for the Clinic during 2014 by Novant Health Presbyterian Medical Center and are included in contribution revenue and expenses in the accompanying financial statements:

Salaries, benefits and payroll taxes	\$ 539,699
Rent	217,011
Other expense	<u>7,087</u>
	\$ <u>763,797</u>

Novant Health Presbyterian Medical Center also provides the diagnostic services described in footnote 3 above in the amount of \$ 555,153.

Charlotte Community Health Clinic, Inc. has budgeted \$1,212,010 to be provided by Novant Health Presbyterian Medical Center for the Clinic for the year 2015.

Other Service Agreement

On January 1, 2006, a service agreement with another North Carolina nonprofit corporation was entered into to provide prescription services to qualified patients of Charlotte Community Health Clinic, Inc. The agreement was for a term of one year and automatically renews for successive one year renewal terms. The agreement may be terminated at any time upon thirty days prior written notice. During 2014, the Clinic paid \$15,075 for medications and medical supplies with an average wholesale drug value of \$1,049,368.

Note 6 - Concentration of Support

As described in note 5, \$1,318,950 or forty-two per cent of the support for the Clinic comes from Novant Health Presbyterian Medical Center.

Note 7 - Net Asset Restrictions

The Clinic received \$960,188 in temporarily restricted grants during the year ended December 31, 2014, and \$366,878 was used for the restricted purposes. During the year, an additional \$370,136 restricted grants awarded during the year ended December 31, 2013 were used for restricted purposes.

As of December 31, 2014, the Clinic has \$593,310 in grants promised or received that are restricted for use during the year 2015.

Note 8 - Uninsured Cash Balances

The Clinic maintains cash deposits in a bank in Charlotte, North Carolina. Deposits are insured up to \$250,000. As of December 31, 2014 uninsured portions of balances at that bank aggregated to \$376,022. It is the opinion of management that the solvency of the referenced bank is not of particular concern at this time.

Note 9 - Subsequent Events

The Clinic has applied to become a Federally Qualified Health Center (FQHC) in order to expand services. On April 28, 2015, the Clinic received approval of a federal grant for the period from May 1, 2015 to May 31, 2016 in the amount of \$691,667. Of this award, \$150,000 is designated as capital toward building a new site location in partnership with Goodwill Industries of the Southern Piedmont. A Landlord Letter of Consent was signed by Goodwill Industries of the Southern Piedmont on September 30, 2014 and allows the Clinic the use of approximately 3,000 square feet to be located within a new facility to operate a community health clinic.

In April 2015, the Clinic received North Carolina Medicaid approval. The Clinic will begin seeing Medicaid patients on or before July 1, 2015.

A new Executive Director was hired by the Clinic beginning May 26, 2015 as the existing Executive Director is retiring. The existing Executive Director will stay for a period of time to provide continuity and training.

Note 9 - Subsequent Events (continued)

Because federal grant awards cannot be used for fundraising activities, the Board of Directors has determined that the best way to ensure that no federal funds are intermingled and used to finance fundraising activities is to create a separate Foundation whose sole purpose is fundraising for the benefit of the Clinic. As of May 26, 2015, the application by the separate entity for non-profit status has been submitted to the Internal Revenue Service for approval.

Subsequent events were evaluated through May 26, 2015, which is the date the financial statements were available to be issued.

Note 10 - Losses

In 2014, Novant Health ended its lease agreement for the Clinic's previous location and offered the Clinic a new location for a sub-lease payment of one dollar per year. The sub-lease is all inclusive which enables the Clinic to reduce operational costs (i.e. lawn care, cleaning). Due to the lease expiration, the Clinic incurred a loss of \$57,643, as result of discarding leasehold improvements at its previous location.